PREMIER

February 5, 2003

The Honorable Billy Tauzin
Chairman
Energy and Commerce Committee
2125 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Michael Bilirakis
Chairman
Energy and Commerce Health Subcommittee
2125 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable John Dingell
Ranking Member
Energy and Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Sherrod Brown
Ranking Member
Energy and Commerce Health Subcommittee
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Tauzin and Bilirakis, and Ranking Members Dingell and Brown:

United in our significant support for and interest in Medicaid, the hospitals and health systems allied in Premier appreciate the opportunity to express our concerns about the program, as the Energy and Commerce Committee prepares to conduct oversight hearings.

As you know, Medicaid provides vital health coverage for some 47 million Americans—nearly 24 million low-income children, 11 million adults in low-income families, and more than 13 million elderly and disabled. With so many citizens depending on Medicaid for critical health services, Congress must take quick action to shore up the program and protect our most vulnerable populations' access to care.

Medicaid FMAP

Deteriorating fiscal conditions throughout 2002 took an immeasurable toll on state budgets. Exacerbating resultant shortfalls, the federal Medicaid matching rates (FMAP) in 29 states were summarily reduced by virtue of a percentage "update" based on data gathered between two and four years ago, when state economies were considerably stronger. Temporarily increased federal support would help alleviate the growing pressure on states to cut Medicaid eligibility, benefits, and provider reimbursement. According to the National Conference of State Legislatures, conditions are such that 44 states will be compelled to consider limiting Medicaid eligibility, reducing covered services, and/or freezing provider payments in 2003 alone.

Medicaid DSH

The Medicaid Disproportionate Share Hospital (DSH) program is the primary source of support for our nation's safety net hospitals and the vulnerable populations they serve—Medicaid beneficiaries, the uninsured and underinsured. Medicaid DSH funding *permits* hospitals throughout the nation to remain open, viable and able to deliver critical healthcare services. While the 2000 BIPA legislation froze FY '01-'02 scheduled DSH payment cuts, it failed to protect safety net providers from a 13 percent reduction that took effect on Oct. 1 of last year (the start of FY '03). During the 107th Congress, bi-partisan legislation to stem the cuts was passed out of the Energy and Commerce Committee and approved by the House. Unfortunately, as you know, it stalled in the Senate. Today, we renew our recommendation to *permanently* fund Medicaid DSH at BIPA levels to ensure that safety net hospitals can continue to serve the health needs of the poor and working poor.

HIFA waivers under Medicaid

In August 2001, the Administration launched the Health Insurance Flexibility and Accountability (HIFA) initiative in an HHS regulatory guidance. HIFA provides for budget-neutral health coverage expansions by states, which may, by definition, entail fewer benefits or higher cost-sharing for populations currently served under Medicaid. Some waivers permitting relatively high co-payments for hospital inpatient care, or requiring excessive application fees, may pose significant barriers to entry. We believe it is unrealistic for those below the federal poverty level to pay any substantive deductible or co-payment for critical health services. The HHS Secretary's expedited waiver review and approval have also raised concerns about the public's ability to consider and comment on the value, import and effects of the proposed changes on existing offerings.

We believe the Energy and Commerce Committee ought to conduct oversight hearings to explore the HIFA initiative's rationale and structure, and to ascertain the appropriateness and implications of the waivers approved in its name. Specifically, lawmakers ought to examine the adequacy of proposed new benefits and the consequent impact of reduced benefits on current Medicaid beneficiaries.

Medicaid payment standards

With passage of the 1997 Balanced Budget Act (BBA) came repeal of the so-called "Boren Amendment," a crucial Medicaid provision that set federal standards/criteria for hospital and nursing home reimbursement by the states. The provision held that providers were to be paid at "reasonable and adequate" reimbursement rates, so as to facilitate and assure compliance with federal and state requirements for levels of service and quality of care. Since the repeal of "Boren," the Medicaid programs in countless states have adopted arbitrary, inconsistent, and often actuarially unsound standards/formulas by which to determine provider reimbursement rates. In effect, HCFA (now the Centers for Medicare and Medicaid Services or CMS) relinquished its oversight of states' determination of and adherence to payment standards for hospitals and nursing homes participating in Medicaid. Adequate payment for these providers would increase the participation in and stability of the Medicaid program, overall.

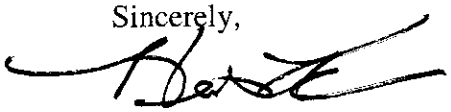
We believe the Energy and Commerce Committee ought to conduct oversight hearings to assess the appropriateness of state processes for determining Medicaid reimbursement rates following the repeal of Boren. The enforcement of a minimum payment standard for emergency hospital/physician services for Medicaid beneficiaries in the hospital ED setting is a viable option short of full "Boren" reinstatement.

Immigrant Children and Adults

Finally, we believe it is a mistake to deny states the option of providing Medicaid or SCHIP coverage to legal immigrant children and prenatal care to legal immigrant adult women. Congress must eliminate the arbitrary cut-off date for legal immigrant health coverage. Hospitals continue to provide primary and critical healthcare services for these patients in the absence of federal matching funds. Further, such care is often delivered in the costly emergency room setting.

We are grateful for your attention to and leadership on the critical issues of Medicaid strength and integrity. We look forward to working with the Committee this year to shore up this vital health coverage program.

Sincerely,



Herb Kuhn
Corporate Vice President
Premier